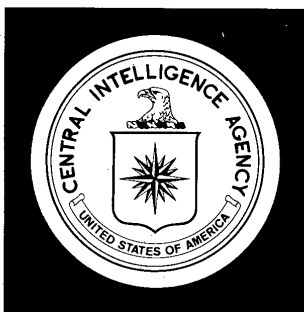




The President's Daily Brief

October 9, 1974

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FOR THE PRESIDENT ONLY

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GREECE

The Greek cabinet resigned yesterday in favor of a caretaker government that will conduct parliamentary elections on November 17. Prime Minister Karamanlis and Foreign Minister Mavros remain in the interim cabinet.

Principal competitors in the elections are Foreign Minister Mavros' Center Union and the New Democracy party headed by Prime Minister Karamanlis, who is still riding a wave of popular support generated by the recent return to civilian rule. Two left-of-center parties--the New Political Forces and the Democratic Socialist Union--have decided to merge with the Center Union.

On the extreme left, "Democratic Defense," which was active in resistance efforts against the junta, has announced its support for Andreas Papan-dreou, who has been denouncing elections as an "electoral coup" designed to deprive the left of time to organize an effective campaign.

Greece's highly politicized armed forces, which have also been grumbling about the timing of elections, appear to have adopted a wait-and-see attitude. In assessing the role of the armed forces, the [redacted] notes that:

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--Karamanlis' recent suspension of officers who represented the hard core of Major General Ioannidis' power base in the army has done much to restore the chain of command and make the army more responsive to the government.

--In the longer term, a stable and effective right-of-center government under Karamanlis could lead to neutralization of the army as a threat to democratic parliamentary government.

--The army has been involved in politics too long to be counted out. Many officers remain convinced that politicians are unable to give Greece the stability they feel is necessary to avoid the threat of communism and anarchy. Should they decide that Karamanlis is letting the left get out of hand, the army could be expected to intervene again.

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OIL PRICE INCREASES

Saudi Arabia and Iran plan to boost their take from oil sales in conformity with recent OPEC decisions reached at Quito and Vienna.

Saudi Arabian Petroleum Minister Ahmad Zaki Yamani has notified Aramco that his government will apply the Quito formula to all oil lifted since July 1 and the Vienna formula to all liftings since October 1. This move would increase the average cost of Saudi crude oil from an estimated \$9.47 per barrel to between \$9.85 and \$10.00 per barrel. At present production levels, Saudi Arabia's annual oil revenue would increase by \$1.2 to \$1.7 billion.

It is not clear whether King Faysal has approved the price hike. Minister of State for Foreign Affairs Omar Saqqaf, no friend of Yamani's, told a US official that the petroleum minister's action was unwarranted and illegal, having been taken without the knowledge of the Supreme Petroleum Council. Saqqaf said he would advise the King to rescind this increase.

Saudi Arabia had been expected eventually to adjust prices in line with other oil-exporting countries of the region. Nevertheless, such an adjustment flies in the face of Yamani's assertions that Saudi Arabia would like to see prices lowered.

Meanwhile, the National Iranian Oil Company has sent a letter to the consortium operating in Iran with its preliminary views on the implementation of the Vienna OPEC decision.

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ISRAEL

Prime Minister Rabin has been taking his case for a major shift in policy directly to the people ever since he returned from the US last month. He apparently expects that his persuasiveness and his enhanced prestige will attract sufficient support to overcome the objections of political leaders.

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Public attention has been focused primarily on Rabin's assertion, first made in a US television interview broadcast on October 1, that Israel is prepared to make territorial concessions to the Arabs--specifically parts of the West Bank to Jordan--in return for a declaration of "nonbelligerency."

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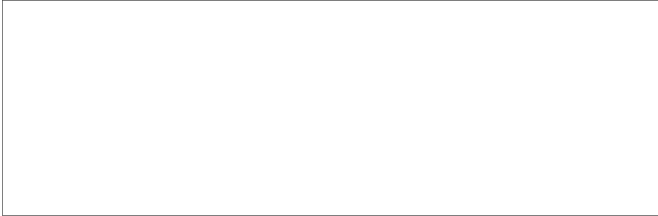
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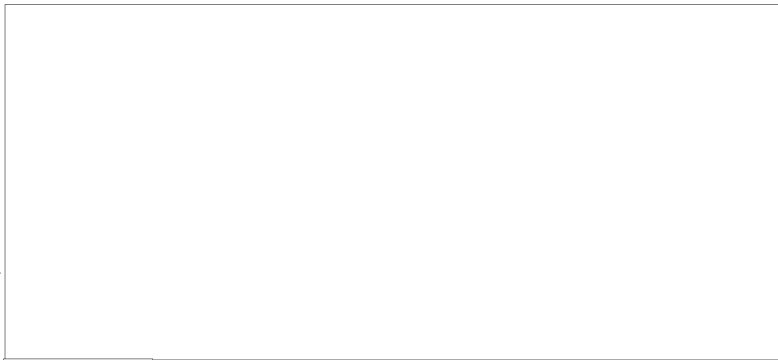
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EGYPT-ISRAEL



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[REDACTED] the Egyptians have been conducting a bridging exercise in the canal since Saturday.

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[REDACTED] the exercise might be related to Cairo's raising the state of readiness of its military forces because of the first anniversary of the October war. In the past, the Egyptians have set up additional bridges across the canal during periods of heightened tensions in the area. Such bridging activity is not prohibited by the disengagement agreement.

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LAOS

Prime Minister Souvanna Phouma is tentatively scheduled to return to Laos on October 18, but some influential non-communist officials are not enthusiastic about the prospect.

The non-communists have taken advantage of Souvanna's absence to delay action on a number of key Pathet Lao policy initiatives, including dissolution of the National Assembly, Souphanouvong's 18-point political program, and recognition of communist shadow regimes in South Vietnam and Cambodia. Most recently, they have blocked cabinet approval of an economic assistance agreement with North Vietnam negotiated by Communist minister Soth Phetrasy.

The non-communists are apprehensive that a physically weakened Souvanna will be more inclined than ever to accommodate Pathet Lao political pressures.

Powerful right-wing Finance Minister Ngon Sananikone, who was in Washington last week for the annual meetings of the International Monetary Fund and the World Bank, stated privately to US officials that the coalition government--meaning the non-communist side--was doing better without Souvanna, "who gave in too much" to Lao Communist demands.

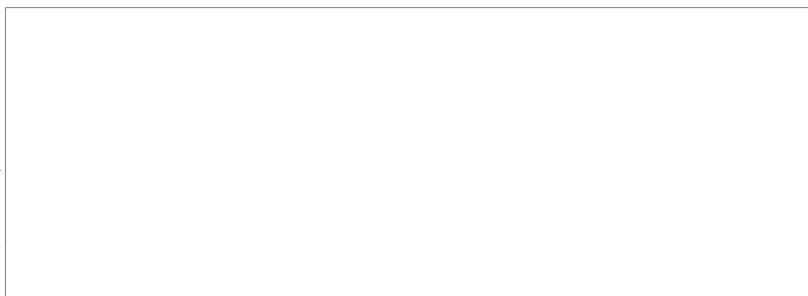
Tianethone Chantharasy, the coalition's highly regarded non-communist deputy minister of foreign affairs, recently echoed Sananikone's fears, warning that if the Prime Minister's propensity for capitulation continues, the Pathet Lao will outmaneuver the non-communists on every major political issue.

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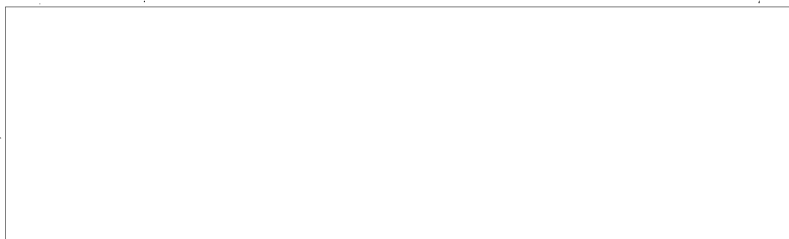
FRANCE - WEST GERMANY



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